

**Memorandum of Understanding
Regarding the
Reorganization of the San Francisco Housing Authority**

This Memorandum of Understanding (this “**MOU**”), dated as of _____, 2019 (the “**Effective Date**”), is entered into by and between the City and County of San Francisco, a municipal corporation (the “**City**”) and the Housing Authority of the City and County of San Francisco, a public body, corporate and politic (the “**Authority**”), and pursuant to the prior approval of the Board of Supervisors of the City and the Board of Commissioners of the Authority. The City and Authority are collectively referred to as the “**Parties**”, and may be referred to individually as a “**Party**”.

RECITALS

A. By a letter from HUD to the Authority dated March 7, 2019 (“**Default Letter**”), HUD determined that the Authority was in default under its Housing Choice Voucher (“**HCV**”) Consolidated Annual Contributions Contract (“**HCV Contract**”) and its Low Rent Public Housing (“**LRPH**”) Consolidated Annual Contributions Contract (“**LRPH Contract**”) executed by and between the Authority and HUD on August 12, 1998, and April 29, 1996, respectively (the “**Default**”). In accordance with 42 USC Section 1437d(j)(3)(A)(iv)(v), after a determination of default, HUD has the authority to take possession of all or a part of the Authority or require the Authority to make other arrangements acceptable to HUD that are in the best interests of the public housing residents and families assisted by HUD.

B. In the Default Letter, HUD determined that it is in the best interests of the Authority’s public housing residents and assisted families to allow the Authority the opportunity to cure its defaults and come into compliance with the HUD program requirements through the City’s assumption of the Authority’s essential functions.

C. To cure the Default, HUD has required the Parties to submit to HUD for HUD’s review and approval this MOU, which outlines below a scheduled plan of action for the following: (i) the City’s assumption of all programmatic and financial functions of SFHA’s HCV and LRPH Programs, including, but not limited to financial management, program management, wait list and admissions, inspections, eligibility determinations, and lease and grievance procedures (“**Essential Functions**”); and (ii) plans for outsourcing financial and programmatic services for the HCV program and LRPH program to third-party experts and implementing all corrective actions from HUD’s 2019 Quality Assurance Division Report.

NOW THEREFORE, the Parties agree as follows:

1. Cure of Default – Scheduled Plan of Action to Restructure the Authority. Pursuant to the Default Letter, the City and the Authority will immediately undertake the following plan of action to cure the Default:

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1.1 Labor Negotiations and Employee Transition. The Authority will provide all legally required notices to affected employees and their respective bargaining representatives, and negotiate with bargaining representatives in a timely manner. In collaboration with the City, the Authority will develop and offer appropriate severance packages to its employees and work with the City in providing services and support to Authority employees. In coordination with the Authority, the City will provide skills and job assessments, training, support and counseling to the Authority's employees, designed to provide options for impacted employees, including where possible and appropriate pathways to employment with the City.

1.2 Restructuring Plan. The Parties will develop a plan to restructure the Authority that provides the City with oversight and complies with Default Letter based on the following:

a. Executive Management. The City will appoint staff to perform executive managerial oversight of the Authority for all Essential Functions ("**Executive Management**").

b. Essential Functions. Pursuant to the Default Letter and in accordance with California Health & Safety Code Section 34280, the Authority will procure all required third-party experts approved by HUD to perform the Essential Functions, subject to the prior review and approval of the City's Executive Management.

c. Shared Services. In consultation with the City, and with the oversight of the City's Executive Management, the Authority will immediately develop a specific timeline for integrating systems, processes, and policies with the City for the purpose of using the City's expertise in information technology, human resources, purchasing, real estate, legal advice, and financial systems and oversight. City will offer technical assistance to the Authority regarding management best practices, including guidance on transitioning to a shared services model with City departments.

1.3 Approvals. Having secured the approval of this MOU under the Board of Supervisors resolution referenced at the end of the signature block below, City staff will continue to conduct outreach to the Board of Supervisors regarding the restructuring of the Authority and assumption of responsibilities. After completion of the Authority's obligations to meet-and-confer with representative labor organizations, the City will obtain the prior approval by the Board of Supervisors of any additional agreements as required by the San Francisco City Charter Section 9.118 or any other applicable Charter section or City ordinance.

1.6 Corrective Actions. The Authority will immediately undertake any outstanding tasks needed to implement the corrective actions set forth in the Quality Assurance Division Report dated February 2019.

1.7 Time is of the Essence. Time is of the essence under this MOU. The Parties will use best efforts to implement the plan of action set forth in this Section 1 as expeditiously as possible in consideration of required meet-and-confer obligations with representative labor organizations and approvals by the City's Board of Supervisors and the Authority's Commission. The Parties will frequently update HUD on the status and progress of implementing the plan of action above.

2. HOPE SF Implementation.

2.1. HUD Approvals. The Authority will obtain HUD approvals of the following: (i) acceleration of the disposition of Sunnydale and Potrero to ownership by the nonprofit developers that were competitively selected to conduct the phased build-out of those sites under San Francisco's HOPE SF program and pursuant to the respective development agreements approved by the Board of Supervisors under Ordinances 18-17 (Sunnydale) and 15-17 (Potrero) and respective master development agreements approved by the Board of Supervisors under Resolutions 20-17 (Sunnydale) and 19-17 (Potrero); and (ii) the provision of tenant protection vouchers at per-unit costs that reflect fair market rents for San Francisco based upon a HUD-approved rent study.

2.2 Capital Funding. The Parties will provide the capital funding necessary for the rehabilitation necessary to meet HUD's housing quality standards required for the accelerated disposition.

2.3 Public Housing Transition. The Parties will manage the conversion of the LRPH program to the HCV program, assist in the transition of property management to nonprofit developers or qualified firms, and obtain any Board of Commissioners approvals necessary to enable the accelerated disposition in a timely manner. The City will continue to provide direct support to residents under the HOPE SF Initiative and ensure that residents receive timely and thorough information regarding the Authority's restructuring and the transition process.

3. Shortfall Funding. On an annual basis, or as frequently as needed, the Authority will apply for shortfall funding from HUD, under the supervision of the City's Executive Management. The Authority will keep the City apprised of the application and status of such funding.

4. Term. The term of this MOU will begin on the Effective Date and will continue unless and until expressly terminated by the Parties.

6. Miscellaneous. (a) No waiver by either Party of any of the provisions of this MOU shall be effective unless in writing and signed by an authorized representative, and only to the extent expressly provided in such written waiver. (b) Notwithstanding anything to the contrary set forth in this MOU, no officer, director, or employee of the Authority has the authority to bind the Authority to any action contemplated in this MOU unless and until its Board of Commissioners approves this MOU, and no officer, director or employee of the City has the authority to bind the City to any action contemplated herein unless and until the Board of Supervisors and the Mayor approve a resolution authorizing and approving this MOU. (c) All transactions described in this MOU are subject to and must be conducted in accordance with the applicable requirements of the City's Charter and other applicable City codes and all transactions on behalf of the Authority must be conducted in accordance with applicable state and/or federal laws.

7. Recitals. The Recitals above are expressly incorporated herein and made a part of this MOU by this reference.

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IN WITNESS WHEREOF, the Parties have caused this MOU to be executed as of the date set forth below.

AUTHORITY:

HOUSING AUTHORITY OF THE CITY
AND COUNTY OF SAN FRANCISCO, a
public body corporate and politic

CITY:

CITY AND COUNTY OF SAN
FRANCISCO, a municipal corporation

By: _____

By: _____

Date: _____

Date: _____

APPROVED AS TO FORM AND
LEGALITY:

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By: _____
Special Counsel to Authority

By: _____
Deputy City Attorney

Authority Resolution No. _____
Adopted _____

City Resolution No. _____
Adopted _____